Alberta Women's Bureau
INFORMATION

PERSONAL FINANCIAL MANAGEMENT

AUGUST 1982

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Alberta
WOMEN'S BUREAU

A MESSAGE FROM THE DIRECTOR

Almost everyone reading this paper knows women who, no matter their intelligence, or accomplishments, or general potential, or age, know relatively little about managing money.

And I'm not referring to extremes, about women who squander their money or who possess exceedingly sophisticated financial knowledge. I'm talking about women and basic personal financial management skills: about the widow who has led such a sheltered existence that she's never had to pay a bill or deposit a cheque; about the recent divorcee who finds herself trying to raise a family with a much reduced income and isn't aware of all the tax breaks available to her, and about the young woman who has just entered the work-force but doesn't know how to make credit work to her best advantage.

Please do not misunderstand. By no means am I suggesting that all women manage their finances badly and that all men are financial wizards. Far from it. However, I don't think it can be disputed that, in general, women are less sophisticated about money and its efficient management than men, and there is overwhelming evidence that women are especially vulnerable to financial hardship. For instance, a recent report to the Ontario government stated that half of the province's elderly single people are poor, and that three-quarters of them are women. It is estimated that, of 100 women age 25 today, by age 65 one will be rich, three will be well off, ten will live at reduced incomes, 35 will be dead, and 51 will be on welfare.

Why are women so financially vulnerable?

Among the reasons are the fact that, no matter how much progress has been made toward achieving equality in the work place, women remain the victims of differential pay scales, are shunted into traditionally lower-paying jobs, and often must forego or delay career advancement opportunities in order to bear and rear children. Those are among the reasons that come to mind first. But I think that any examination of why women are so vulnerable to financial hardship must include the fact that, according to outdated social attitudes, women are not expected to know about money or how to handle it.

Most women have been raised to expect that the financial aspects of their lives will be taken care of by men -- father, husband, or brothers -- and that a woman's energies and abilities should be channelled into more "feminine" pursuits. Men, on the other hand, are taught, whether consciously or not, to assume the money management role. They are expected to be aware of the issues involved in personal financial management, and to be prepared to deal with them. When men are

together, money -- in the form of investments, interest rates, pension plans, life insurance, an imminent mortgage renewal -- is one of the topics they discuss. Most men seem to take money management for granted; most women don't.

But society is changing, and women, and men too, must adapt. In an era when roles were more defined and society's institutions were more stable, it was thought to be a perfectly acceptable solution for most women to rely on men for the bulk of their financial guidance. But the prevalence of divorce, the growing acceptance of singleness as a lifestyle, and the fact that women continue to live longer than men all mean that women cannot afford (in more than one sense of the word) the luxury of remaining ignorant about personal financial management. And the need for women to become knowledgeable money managers is especially acute given the fundamental problems they continue to face in the work place (a few of which were mentioned above).

By failing to take personal financial management seriously you are doing both yourself and your dependents a disservice, which, given all the odds against you, could be potentially disastrous. Given half a chance, you don't have to face economic disaster.

You have it within yourself to take control of yet another aspect of your life -- and a good starting point is this paper.

E. Phyllis Ellis

E. Phyllis Ellis
Director

INTRODUCTION

Why Personal Financial Management?

A recent story carried on the New York Times Service had this arresting headline:

WOMEN WORK FOR MONEY, NOT FOR FUN

The article went on to say that twice as many women hold full-time jobs today and that money is the primary reason why women work: only 14 per cent of working women surveyed said they work to have something interesting to do.

Why do you work? For the basic needs -- food, clothing, shelter? A few luxuries? A better or larger place to live in; ownership rather than renting; better furniture; major appliances; a car; vacations; a chance to indulge your hobbies; another baby? Or are you a high-flyer? Looking for a second car? A luxury home? Retirement at age 40? Perhaps you enjoy a rewarding career.

Whatever you're working for, let's call them goals. Whatever your goals are, you have to match them to your means. That's where most of us discover reality descending with a thud! Most of us have incomes that, when compared against our goals, are simply not up to letting us reach all of them in a hurry.

That's where this paper comes in: to suggest money management principles that will make the most of your income and help you get closer to your goals, to get much closer, much faster. We chose our words carefully when we said that we will discuss the principles of money management. We're not going to stress details -- only basics. (And, in some cases, whenever we feel that a topic is beyond the scope of our paper, we'll simply mention it and then refer you to where you can read about it on your own.) We're convinced that the principles of money management are easily understood. The problem lies in maintaining the discipline to stay on top of the mechanics. At times, that discipline can become a real burden.

Why, you might ask, should you go through this burdensome exercise?

Because you work hard to earn your money and you should make the most out of it. Because relatively few women have been introduced to the basic principles of managing their money, and, as a result, lose a big portion of it needlessly. Because women, for the most part, still earn relatively low wages, and need to make the most of their money. Because women are especially vulnerable to the financial implications of remaining single, of living common-law, of becoming divorced, or outliving their spouses. Statistics show that over three-quarters of all single women spend their last years in poverty. That's why you should learn to manage your money.

What This Paper is About...

Our paper discusses the basic concepts of every aspect of personal financial management that can reasonably be expected to touch the life of each person. It will discuss those basic concepts for one reason only: to help you reach your goals much faster by showing you how to keep much, much more of the money you earn, and how to use other people's money in the least expensive and most efficient way.

In the pages that follow you will read about banks and banking, budgeting, making income tax work for you, and avoiding the pitfalls of credit while still enjoying its advantages. Because we deal with basics, almost every reference to women applies to men as well. The exceptions will be obvious and won't require elaboration.

... and what it is not about

Our paper does not talk about managing the extras that present themselves after the basics have been put under control. You will not find any discussion here of how to play the stock market, whether Picasso is a good investment, how to gain tax breaks by owning a race horse, or how to put money into French vineyards. Indeed, we assume that you're a beginner in taking control of your financial well-being, and that you do not now have sophisticated investments.

Nor will we talk about money management as it relates to style of living. If saving money by switching off lights, picking edible weeds from the roadside, having each member of the family in turn use the same tub of hot water, and so on, are not for you -- fine. You can follow our advice and still live the way you want to. We're not suggesting that these and other matters are unimportant. To the contrary. The fact that we think they are very important indeed is indicated by the number of books on those topics included in the book list at the end of the paper.

We make no apology for the fact that a big proportion of this paper deals with income tax and that the majority of that section is taken up by a discussion of Registered Retirement Savings Plans (RRSPs). As one expert pointed out, taxes are the largest single expenditure any individual will make over a lifetime. Furthermore, RRSPs are one of the best vehicles for helping most people get ahead. Women, it turns out, are the most infrequent and least sophisticated users of this gold mine, and we're out to change that.

All information becomes dated sooner or later. Although every effort was made to keep this paper current, changes in government policy can overtake it or any other publication and reduce its usefulness. Before acting on any financial advice, whether found here or elsewhere, learn how current the information is. Talk to the managers of banks, trust companies, and credit unions, or to the staff at your regional taxation office. They remain up to date on financial matters and are always glad to help.

Your Shopping List of Goals

What do you need -- or want?

Take out a pen and paper and start writing. Perhaps your family is growing in size, and the most important need is a washer and dryer for all those baby clothes. If the children are growing up, maybe now's the time to buy that dishwasher or replace the baby-proof furniture with something more attractive.

Are you frazzled? Put a trip to Hawaii (or wherever) on the priorities list.

Whatever your needs, put them down on paper. Rearrange the list so that the most important goal is at the top, and the least important is at the bottom. Put a number beside each item, from one to whatever. Take a look at it. What you've done is nailed down what you want to do with your money. Now you're ready to learn how much money you have to apply to those goals. We'll return to this list in a moment, so put it aside for the time being.

Budgets

Do you shudder at the thought of preparing a budget? Most people do, and shy away from the very concept. In the paragraphs that follow we're going to remove all the mystery from budgets, provide you with a simple and painless way to prepare one, and admit you to the ranks of the smart people who use this invaluable tool all the time.

Few will be surprised when we say that most people have a set, regular monthly income and a fixed number of expenses to be paid each month or, in the case of items like property taxes, once a year. The expenses include rent or mortgage payments, food, credit payments, telephone, utilities, insurance, medical bills, clothing, and so on. By listing your monthly expenses and deducting them from your salary you can quickly calculate what your disposable income is and how much of an impact it can make on attaining your goals. That's what a budget is about: giving you the financial facts to show the relationship between your income and your goals. But to start with, you need accurate records. Without them you can't determine your financial position and without that information you can't match your income to your goals.

Your employer is obligated by law to accompany your paycheque with a statement describing deductions made, hours worked, and so on. Keep all of those statements, in order, in a secure place. They'll be useful for income tax purposes and to look back on when your disposable income grows by following our pointers!

So much for the income side of your financial records. Keeping your

records of expenditure in order is a little more demanding. Here's what we suggest:

- Make a note in your cheque register of all pertinent details about each cheque before you write the cheque. These details include the date, to whom the cheque is made out, and the sum involved. Your bank, trust company, or credit union supplies these cheque registers free of charge. Use them -- don't rely on your memory.

- Look at each monthly bank statement when it arrives and tick off on the cheque register each item mentioned on the statement.

- Record in your cheque register all the miscellaneous items that are automatically deducted from your account and which, if you're like most people, you don't think to record. These are chiefly service charges and payments you've authorized to be made directly from your account without the need for a cheque, such as certain types of insurance premium payments, cable TV rentals, and so on. Better still, treat these recurring expenses as you would any installment payment: put a year's worth of entries for each in your cheque register and tick each entry off as the statements arrive.

- Keep the slip given each time you use a credit card, put a date on each and file them by charge card and in date order. When you receive your statement go through each item and check it off against the slips and then file the statement and its slips together.

How long should you keep track of your expenditures? That will vary from one person to another. We advise you to maintain a record only as long as it takes you to determine where your money goes, and how much of it you have left. Some people will need two months to do so, others three or four. Be your own judge.

Now for the planning process.

The first step in planning your spending is to set out your monthly income and expenditures in a way that will allow you to see at a glance where you stand financially. Here's a good way to do it. The financial records you've been keeping so carefully will make it easy to complete the form on page 5. (Our book list refers to other budget forms and guides that are also available to you.)

Income:

Your income	_____
Spouse's income	_____
Family Allowance	_____
Other (this may include regular part-time secondary salary, alimony, child support payments, etc.)	_____
TOTAL	_____

Expenses:

Rent/Mortgage	_____
Food	_____
Utilities/Natural Gas	_____
Telephone	_____
Insurance	_____
Clothing	_____
Medical Expenses	_____
Child Care	_____
Transportation	_____
Vacations	_____
Charity	_____
Miscellaneous	_____
Education and School Fees	_____
TOTAL	_____

Disposable Income:
(Income Less Expenses) _____

The disposable income (your income after your expenses have been paid) is the amount of money you have to apply toward the extras you want to buy.

In looking at your income and expenditures it is important to be realistic. Don't rely on income that doesn't exist, and don't ignore expenses that you wish didn't exist. And avoid the common mistake of failing to set aside money for intangibles such as vacations. Some people make their intended purchases the be-all and end-all of their financial planning and fail to make room for some of the equally important expenditures that make the discipline of long-term planning easier to take. And don't plan to spend every penny; leave plenty of room in your planning for savings and emergencies. Some advisers suggest that you should "pay yourself first" and set aside part of your income for savings as soon as you receive it.

When you complete the budget form, carefully review it. Do you see what you've done? You've set out your financial position to give yourself a solid idea of what you can afford to buy and when you can afford to buy it. Now you're ready to return to that list of priorities you made a while ago.

On your list of goals, put a realistic price tag beside each item. Take a look at the net income figure on your monthly budget and put down beside each item on your list of goals the number of months it will take you to pay for that item if you put, say, one-half to three-quarters of the disposable income toward that item each month. (Don't calculate using all the disposable income because you should leave something for emergencies and savings.)

As an example, let's say that a dishwasher you want costs $500 and your monthly disposable income is $100. Putting aside $75 per month (three-quarters of $100) will see you with enough cash to buy the dishwasher in about seven months. Make the same calculation for the next three items on the list, regardless of how many months build up! When you finish, look at the result and if you find the result depressing, then we've accomplished our goal. You should now be in a frame of mind to appreciate all we're going to say about increasing your disposable income and using credit wisely so that you can attain more of your goals more quickly than you would otherwise. There's no magic in what we're going to say. It's nothing more mysterious than making a daily habit of following a number of good financial techniques -- all of which we will outline for you. By following these sound financial practices until they become habit you will increase your disposable income and take months -- if not years -- off the length of time it takes to buy the things you want.

Increasing Your Disposable Income

What runs through your mind when you think about increasing your income? Changing your job? Asking for a raise? Taking a second job? All those are possibilities, and you should give serious thought to seeing whether any of them can be attained. Maybe it is time you went into a new line of work, or sat down with your boss over coffee and discussed a raise or a promotion, or put your spare energy to work in a second job. Think about those options, and see what might work for you.

Even though all those options are good to think about, we're going to assume that you're happy with your current work, that your continuing value to your employer is being recognized by raises of some sort or other, and that you'd rather spend your free time with your family, or going to concerts or movies instead of taking on more work.

So how are you going to increase your disposable income?

By:

- learning how to make the most out of banks
- making income tax work for you
- using credit responsibly.

Banking On It

A logical first step in building up your disposable income is to use banks to your advantage, yet not one person in 20 does so. Read what follows and make it two in 20!

Until very recently, it would have been easy to advise you on the role that banks can play in managing personal finances. (Please note that, with very few exceptions, the word bank, used here for simplicity, is interchangeable with credit union, trust company, and so on.)

As we said, until very recently this section would have contained just a few pointers:

- It goes without saying that everyone should use a bank. Keeping all your money in cash either at home or on your person is foolish and dangerous. It also denies you interest and prevents you from building the best possible credit record.
- Most people should have two types of bank accounts:
  a) personal chequing
  b) savings.

- Calculate your monthly expenditures as closely as possible so that your personal chequing account will contain only enough money to see you through the month with a little surplus for unexpected expenditures.

- Put all your remaining cash into an interest-bearing account.

That's the advice about banking we would have given even a few years ago. All banks offered virtually the same services and paid the same interest with the result that the whole process was very boring. All that has changed now. Financial institutions are engaged in fierce competition for your money and offer an exciting array of services to choose from.

There are now no longer any basic services. Almost every bank, trust company, and credit union offers a different combination of services, fees, and interest rates. Where one offers daily interest savings accounts with unlimited free withdrawals, another will charge a fee for every third and subsequent withdrawal each month. For every institution that will let you pay your telephone bill free of charge, another will charge a fee. The latest wrinkle being offered is interest on funds in chequing accounts, but here too you'll be excited by the variety available. One institution will let you write an unlimited number of cheques on such an account while another will charge a fee after a set number of cheques has been written, while still another will let you write an unlimited number of cheques but only if you keep a certain minimum balance in the account. Others offer free cheque storage and single statements that show the balance of all your accounts with the institution. Financial writers predict that the next major service banks will offer is personal financial counselling.

The consumer can regard all this diversity with dismay, or as a game to be played and won. How do you make sense out of all this choice? One approach would be to assign a value to any given service, shop around, and give your business to the bank that earns the highest points for the services that count the most for you.

However you choose which bank to use, keep the following points in mind:

- No matter how you decide which bank will gain your business, whether by assigning points or by simply picking names out of a hat, stick to your decision. Building a good relationship over a number of years with your banker is a key part of establishing a good credit record. You can't do that if you allow every new service or change in interest rates to persuade you to jump from one bank to another. The few extra dollars you earn in interest may be done at the cost

of an opportunity to build up a relationship of trust with key people in the financial world. Personal contact is an essential part of the strategy you'll read about in our section on using credit.

- A bank's computers, like all computers, are run by people. Don't fall into the trap of thinking that just because your bank is automated you no longer need to check your statements. Most prudent money mangers would say the reverse: the fact that your bank is automated should make you doubly conscious of the need to check everything you receive from it.

- Doing this checking doesn't have to be time-consuming. When you receive the monthly statement tick each item on it against your own record. If both match there's probably no need to check the arithmetic. Needless to say, you can't do this checking if you don't keep a careful record of each cheque before you write it! Failing to do so is sloppy, and may end up costing you money if the bank makes a mistake -- and everyone makes mistakes. You are not saving time by failing to keep an accurate record of the cheques you write; instead, you're laying yourself open to losses when mistakes are made. Of course, report any errors immediately.

- Joint chequing accounts can be a very useful way of allowing each partner in a marriage or marriage-like relationship to pay everyday household expenses from a common pool of cash. Use joint chequing accounts with care, especially if you doubt the other person's financial responsibility or if the marriage or relationship is not steady. Either person with signing authority can withdraw the entire account unless you impose an upper limit to withdrawals or require two signatures before money can leave the account. For a variety of reasons (including income tax liability and estate complications), it's a good idea to put into the joint account only what is required for that month's household expenses and to put the remainder of your disposable income into a savings account that you alone control.

- For the sort of banking that most people do, the ideal arrangement is to be able to put all your money into a daily interest savings account that allows unlimited free withdrawals, and then to transfer money from it to your chequing account to cover each cheque you write. In that way you won't have any money sitting in an account that either doesn't pay interest, or that pays a relatively low rate of return.

- Although financial advisers differ in this regard, we suggest that you avoid leaving large sums of money in a savings account until you

have made the maximum allowable contributions to your registered retirement and registered home ownership savings plans. We'll discuss the matter more fully later, but mention it now as something to think about.

- You may smile at the thought now, but making a habit of using the financial management techniques discussed in this paper may soon require you to distribute your funds among a number of financial institutions whenever your accounts with any one institution approach $20,000. The Canada Deposit Insurance Corporation now protects deposits in financial institutions to a maximum of $20,000 per institution. As soon as you're savings reach that magic figure, do some shuffling around!

Income Tax

How many times have you been told that the single biggest purchase anyone is likely to make is a house or a car? That may be true, but most of us need to be reminded that the purchase of a house and car are small compared to the largest expenditure you will ever make over your lifetime. That expenditure is income tax. Every year, four out of five adult Canadians go through their own rite of spring -- they file their income tax returns and pay over some $30 billion to the provincial and federal tax collectors, those people whose approach is said to be as inevitable as death itself.

Why, you're probably asking, are we talking about income tax in a section of the paper that's supposed to be telling you how to save money? Everyone knows that each working Canadian must contribute a large sum of money every year and is lucky, in many cases, to receive a refund when the year's final reckoning is done. Well, we haven't made a mistake. What many people fail to realize is that income tax is really about saving money, and that it doesn't have to mean pouring all your hard-earned money down the drain. In the pages that follow we're going to show you how income tax can be made to work for you instead of against you -- and you won't end up in jail either!

The proof of what we say lies in the fact that every year, thousands of Canadians needlessly pay too much tax, for reasons that range from a simple failure to claim straightforward deductions, to being aware of some of the more sophisticated savings plans available simply for the asking. The result? If you're one of those thousands of Canadians, every year, year after year, you voluntarily hand over too much money to the government, and you end up with correspondingly less money for use in reaching your goals. And don't forget for one instant that the only reason you're reading this paper is to have more money to spend on the things that are important to you. Read this section very, very

carefully. The information it contains about saving money on income tax is probably the most important basic advice you will ever receive on personal financial management. Make yourself comfortable, pour a cup of coffee, and pay attention to the next pages. We guarantee that if you think about the advice that follows, do some supplementary reading, and consult people who know your financial needs and the ins and outs of income tax, that if you do all that you will have the potential to save yourself upwards of thousands of dollars every year.

The choice is up to you. You can apply our advice, save money, and take months or years off the time it will take you to reach your goals -- or you can continue throwing money into the air and letting the prevailing easterlies carry it to Ottawa.

Our look at income tax is divided into three parts:

- a general discussion, often in point form, of a number of relatively smaller ways of using the income tax provisions to save money

- a detailed discussion of Registered Retirement Savings Plans, something many people regard as the single most important aspect of assuring financial well-being

- a few tips for dealing with the nitty-gritty problems of filing your return -- in other words, how to cope with the practical problems.

General Deductions

The government makes many deductions available to taxpayers. Here's a look at a few of the most prominent and easiest to use of the smaller deductions. Let's start with a deduction that Revenue Canada says is the most frequently ignored.

Equivalent to Married

The tax deduction allowed to someone with a spouse whose income is less than $460 is $2,530 and for a dependent child under 17 it is $540. However, if you are unmarried or do not live with your spouse, you may claim that dependent child or relative as though the dependent were a spouse, and thereby gain an additional $1,990 deduction. Only one such exemption is allowed to a household, and working single parents living common-law also qualify.

Employment Expense Deduction

Revenue Canada also reports that many people, oddly enough, fail to claim the employment expense deduction, which allows an employee to deduct

three percent of employment income up to a maximum to $500. It's one of the first items on your tax return and is painless to calculate. Don't miss out on it.

Medical Expenses

By automatically claiming the $100 medical expense deduction simply because it's easier to do, you may be needlessly denying yourself money. Medical expenses from any 12-month period ending in the tax year in question (not just January to December) qualify. Your calculations may include dental bills (including orthodontist's fees), wheelchairs, contact lenses and their solutions, eyeglasses, hearing aids, and guide dogs. The premiums paid to private (not government) health plans are deductible, but you may not claim the expenses for which you were compensated under the private plan. Calculate the total of those medical bills and any charitable donations made during the 12-month period of your choice, and subtract three percent of your net income. If the resulting sum is over $100, use that figure as your medical deduction.

Child Care Expenses

Any women may claim child care expenses, which includes amounts paid for babysitting, day nursery, or a boarding school or camp, if the expenses were incurred to enable her to earn employment or business income, to engage in occupational training, or to carry on research. The expense is limited to the least of $4,000, or $1,000 times the related number of children, or two-thirds of earned income for the year. Consult the guide that accompanies the tax forms if you plan to use this deduction.

Child Tax

Anyone who gives money to a child under the age of 18 other than as a contribution to an RRSP, has to pay tax on the money that gift earns. A way to avoid this tax is to arrange for the money to be put into Canada Savings Bonds or into a similar savings instrument that allows the interest to compound and that matures after the child turns 18, at which age the child assumes responsibility for the tax.

Maintenance Payments and Child Support

The person making maintenance or child support payments as the result of a court settlement or separation agreement may subtract ongoing payments from taxable income. The recipient must claim the payments as income and pay tax on them. Avoid the common mistake of making payments before there is a written and signed agreement. Lump-sum payments do not qualify for a tax deduction.

If you are about to become a recipient of such payments and are calculating how much money you will need for your maintenance or for child support, take into account the tax you will have to pay on that income. Don't leave yourself short by failing to provide for this mandatory deduction.

Moving

When you move to take a job and your new home is at least 40 kilometres closer to your place of work, you may deduct all expenses for which you have not been reimbursed by your employer. Among the eligible expenses are the real estate commission to sell your old home, legal costs in buying your new home, the mover's bill, and your travel expenses, accommodation, and meals -- both for the time you are actually on the road and for up to 15 days near your old or new home.

Keep receipts for everthing; you don't need to include them with your return, but you should have them on hand in the event you are requested to submit them at some time in the future. All your expenses are deducted from income earned on your new job. Expenses could exceed your income; in that event deduct the excess the following year.

Moving expenses may be claimed by a student coming home for the summer to take a part-time or full-time job. This deduction may reduce the student's income enough to allow his parents to continue claiming the child as a dependent. A student moving to attend full-time courses at a university or other post-secondary educational institution in Canada may deduct moving expenses but only if the student has income from a scholarship, fellowship, research grant, or similar award. The claim may not exceed the income from these sources.

Student Tuition and Expenses

Tuition fees are tax deductible, but only by the student on whose behalf they are paid. Students living away from home may claim a $50 deduction for each month they are at school; check the guide for further information.

Self-Employment Deductions

People who are self-employed (and this includes anyone from the knitting whiz who sells homemade sweaters to the accountant who does other peoples' books), have access to a whole range of deductions that the rest of us can't touch. Whether the self-employment is full-time or part-time, every penny spent in an effort to earn money is tax-deductible. Although the subject is too complex to explore in detail here, we offer the following pointers:

- You must have receipts for every expense.

- Claim every expense, regardless of its nature or extent.

- Consult a professional accountant or other financial adviser to master the mechanics of using self-employment deductions to your maximum advantage.

You will also find useful information in the book list that concludes this paper.

Carrying Charges

Most people fail to deduct carrying charges, that is, money spent to earn money. Eligible deductions include:

- interest on money borrowed to earn investment income

- investment counselling fees

- safety deposit box charges.

Pension Bonus

Provisions exist for the tax-free receipt of pension income whether through retirement or the termination of your participation in a pension plan where you work. The rules are under continuing scrutiny and readers planning to use them should study the tax guide carefully.

Income Sharing and Transferring Deductions

Married couples should carefully consider saving taxes by splitting income and transferring deductions. In very rough terms, a family with one taxpayer who earns $50,000 pays about $16,500 in taxes. However, a family with two taxpayers each earning $25,000 pays about $12,000 in taxes. Splitting income between spouses makes it possible to reduce the tax burden. By shifting income from a person with a high tax rate to someone with a lower rate, one pays less tax in total.

The procedure can also involve transferring deductions from one spouse to another. As explained in the guide that accompanies the tax forms, if your spouse has any of the following deductions and has no taxable income, the unused part of these deductions may be transferred to your own return:

- age exemption (for persons 65 or over)

- interest, dividends, and capital gains deduction
- pension income deduction
- deductions for blind persons or persons confined to a bed or a wheelchair
- education deduction
- medical expenses
- charitable donations.

The family unit can also save tax by one spouse lending money to another. Let's say you are married and have received $2,000 in interest and your husband has no interest income. You can either claim the $1,000 exemption on interest income and pay tax on the remaining $1,000, or you can lend enough money to your husband to earn the $1,000 interest income exemption so that he can deduct it from his income tax return. The net result is to reduce the family unit's tax burden. There are some rules to follow, though: the transfer of money must be fully documented, and it should be a no-interest demand loan to be repaid in a reasonable length of time. If the money is transferred as a gift instead of a loan, the person giving the money must pay tax on the income.

The concept behind splitting income and transferring deductions presents no problem, but the procedures involved need to be carefully executed. For that reason we are going to content ourselves here with letting you know that these provisions exist and are worth considering, and by inviting you to learn more about them by looking at our book list, by consulting staff at your local taxation office, or by conferring with a professional financial adviser. Most married couples can profit from these provisions, so we urge you to investigate them further. It should be stressed that these privileges are available only to married couples, and not to people living common-law.

Registered Home Ownership Savings Plan

A financial consultant recently made the point that a house is the only tax-free investment available to Canadians. Since the government encourages you to save toward the purchase of a house in the same way as it encourages you to save for your retirement, why not take the first step toward enjoying that one tax-free investment?

If you or your spouse with whom you are residing do not own a house or have a share in real estate used as a dwelling, you are entitled to

deposit a maximum of $1,000 per year for a total of $10,000 a lifetime into a Registered Home Ownership Savings Plan. (The abbreviation is RHOSP, and is usually pronounced "RAWSP".) Money deposited into a RHOSP can be deducted from your income, and the money earned on it is tax-exempt. By using the money for the purpose intended, to buy a house, you will avoid having to pay tax on it. Naturally, if you withdraw the money and use it for another purpose, it will be added to your income for that year and be taxed accordingly. Note too that although there is no age limit to RHOSP ownership, each person is allowed just one RHOSP, ever, and that money may be left in the plan for a total of 20 years only. If your spouse owned a home before you were married, but does not own a home now, you may apply your RHOSP to a new home. However, if your spouse still owns a home purchased before the marriage, you may only apply your RHOSP to the mortgage. Also, if your spouse owns a home at marriage, you can no longer make any contributions to your RHOSP. Money contributed to a RHOSP grows much faster in its tax-sheltered environment than would the same money sitting in a bank account. Contributions are tax deductible and will result in a bigger income tax rebate. You may make your annual contribution to a RHOSP in the year you buy your house, and still get the tax deduction.

The conclusion is obvious: if you qualify for a RHOSP and want to become a homeowner, make every effort to deposit the maximum allowable payments. You work hard for your money, and you might as well bring home -- to your own home! -- as much of it as the government permits.

The foregoing is only an outline of the rules governing RHOSPs. While basically straight forward, the RHOSP program does have a few variations that might apply to your individual circumstances, and the rules change from time to time. For further information, turn to the book list at the back of this paper, or talk to the manager of your bank, credit union, or trust company.

Registered Retirement Savings Plans

Are you a bargain hunter?

If you were to learn that the federal government has a year-long sale on money, would you buy some? Let's be specific. If someone were to telephone you and say that the federal government allows you:

- to deposit each year up to $5,500 into a special account
- to deduct the annual deposit from your taxable income
- to escape taxation on whatever growth the money in that account experiences for as long as the money remains there

- to be free to use the money in that account to make a wide array of investments, or simply to let it earn compound interest

- to be free to withdraw all or part of the money any time you wish for use in any way you want

- and, under certain circumstances, to get a bigger paycheque for making that deposit

would you leap at the chance to take advantage of it? A true bargain hunter would have only one answer -- yes! If that was your answer you're ready to learn about the magic of Registered Retirement Savings Plans.

Several decades ago the government decided to reward people for putting aside money for their retirement. The belief is that it is cheaper for the government to provide the reward than it is to assume the entire financial burden of providing for everyone's retirement. The government's reward takes two forms:

a) a deduction from taxable income, and
b) the opportunity to have that money grow in a tax-sheltered environment.

Registered* Retirement Savings Plans are a game in which everybody wins; there are no losers. Every year billions of dollars find their way into RRSPs across the country; every year each taxpayer who contributes to an RRSP can reduce his or her taxable income by the amount contributed; the money so invested is allowed to grow in a tax-sheltered environment, and the government's future financial obligations are correspondingly lowered. That's all there is to the concept behind RRSPs. Let's look at a few of the rules that govern their operation, and see how you can get in on this game where everyone wins.

How to Open An RRSP

Here are the basic rules that govern the operation of RRSPs:

- You may open an RRSP if you are under the age of 71 and have an earned income (the term "earned income" is explained below).

- If you are a member of a pension plan you may deposit into your RRSP 20% of your earned income which, when combined with the amount you contribute to your pension plan, may not exceed $3,500.

* (The word "registered" simply means that the government knows about the plan, that its existence has been registered with Revenue Canada.)

- If you are not a member of a pension plan, you may contribute 20% of your earned income to a maximum of $5,500.

- Contributions must be made within 60 days of the end of the calendar year if they are to be considered for the previous tax year, or at any time for the current tax year.

- The amount contributed to an RRSP may be deducted from your taxable income. The result for most people will almost certainly be at least a rebate or, more likely, a much larger rebate than would otherwise be the case.

Those are the basics of owning an RRSP. There's no mystery about it, and no complication of any sort. Let's look now at the advantages Ottawa showers onto those who own one.

The Advantages of Owning an RRSP

- You are entitled to a large deduction from your taxable income for which you will likely receive a rebate.

- The funds deposited to the RRSP grow in an environment that's sheltered from taxation for as long as they are kept there. No matter how much money the funds in the RRSP earn, they will not be taxed until withdrawn. Money invested in a sheltered environment grows much more quickly than money whose growth is subject to taxation.

- You are free to invest the money in an RRSP in a wide array of vehicles ranging from a straightforward interest-bearing cash account to more elaborate portfolios involving stocks, bonds, and mutual funds.

- Even though the principal intent of the government in encouraging RRSPs is to assure retirement income, you are free to withdraw all or part of the money for any purpose you wish, and at any time you choose. Any withdrawals should be carefully timed because all money withdrawn is subject to taxation in the year it is withdrawn.

- RRSPs can be transferred from one plan to another whenever you choose. The transaction can be done tax-free if it is carried out entirely within the RRSPs involved and the contents are not withdrawn.

Personal Example

Let's put the RRSP picture into perspective by looking at a typical example of how a working mother approaches the subject.

Mary Smith, 30, is married, and has two children. With regard to the family's future, Mary and her husband John are keeping their options open: they may want to add to their family at some point, or, when the children become more independent, Mary may decide to attend NAIT to take the business accounting program she's had her eye on for several years. Following either option will be made easier by the money she has accumulated in the RRSP she opened when she began working. Her intention then was to use the money to let her continue contributing to the family income while she stayed home to raise the children, but when each child came along she chose instead to return to work shortly afterwards, and continued contributing the maximum allowable sum to her RRSP each year. She also made the decision to opt out of her company's pension plan in order to give herself the flexibility of contributing a much higher sum to the RRSP than she would otherwise be permitted.

It's now the middle of February and Mary has gone over her paycheque stubs and calculated that her gross income this year was $16,481. After following the step-by-step instructions included in the tax guide that accompanies the income tax forms, Mary found that her earned income was about $15,000, meaning that she is allowed to contribute a maximum of $3,000 (20% of $15,000) to her RRSP. Up to now, Mary had kept her RRSP in an interest-bearing cash account because it offered her a reliable return with maximum flexibility. She remembered how satisfied she was with that course of action when she read a chart published in the Financial Post* that illustrated the different rates of growth experienced by money held in an RRSP and one kept in a non-sheltered account. Mary took the chart out of her files and looked at it again. The example assumes that a taxpayer is able to put aside $1,000 per year from age 35, and makes comparisons between tax rates of 50% and 40%; the rate of return is assumed to be 8% throughout the period. The chart, reproduced on the following page, makes it clear that even modest contributions to an RRSP can have dramatic results in just a few years.

The reason Mary felt so good looking at the chart, and why she had clipped it, was that she, like most people, was able to contribute far more than the $1,000 illustrated, that interest rates were now much higher than 8% and that she had begun her RRSP when she was 22. Mary chose to retain her RRSP rather than withdraw it.

It should be noted that because she had opted out of her company's pension plan, her RRSP is her only source of a retirement income. Should she use her RRSP to return to school, or buy a new home she will deplete this potential source of retirement revenue.

* January 21, 1978 p. 29

GROWING IN A TAX SHELTER

		NON-REGISTERED FUND	
	RRSP FUND	50% MARGINAL TAX RATE	40% MARGINAL TAX RATE
Annual investment	1,000	1,000	1,000
Tax on capital	nil	500	400
Net amount invested annually	1,000	500	600
Annual interest earned	8%	8%	8%
Tax on interest	nil	4%	3.2%
Net interest credited	8%	4%	4.8%
Accumulated values:			
10 years	15,645■	6,243.	7,836.
20 years	49,423■	23,796.	20,358.
30 years	122,346■	29,164.	40,370.
Annual pre-tax income starting at 65*	14,642■■	3,499..	4,845..

■ Fully taxed if taken as a lump sum.

. No further tax is due if received as a lump sum.

■■ Total amount of annuity payments will be taxed as received.

.. Only the interest portion will be taxed as received.

* Life annuity, guaranteed for 10 years based on today's rates.

NOTE: It is assumed that the $1,000 investment deduction does not apply in the case of the non-registered fund.

At age 65, Mary who worked in the paid labour force all of her life as well as in her home would not have a retirement income. In 1975, 45 per cent of widows aged 55-65 were poor as were 66 per cent of those over the age of 65.

Thus, an RRSP can prove to be a hedge against poverty for women in their later years. Money saved in this type of plan should not be withdrawn for frivolous ventures.

She returned the clipping to its file and made up her mind: it was time to diversify. The cash RRSP had served her well, was growing at a good rate and would continue to do so on its own and could be left where it was. This year, she was going to open a self-administered RRSP and buy stocks and bonds with the money in the new account. Here was the chance to put to use all she had learned in the stock market courses she had taken in night school for the last two years. She didn't have to restrict her new, self-administered RRSP to stocks; indeed, she was free to invest in a wide variety of financial vehicles, including guaranteed investment certificates, Canada Savings Bonds, debentures, mortgages on Canadian real estate, mutual funds, listed rights and warrants, annuities from a Canadian issuer, certain endowment-type life insurance policies, and foreign property up to 10% of total assets. Quite a list, but for starters, stocks would do nicely. And she knew that, no matter how well her stocks did, whether they doubled, or tripled, or quadrupled in value, she would not pay a penny in tax until she withdrew the money.

So Mary went to work. She telephoned her stockbroker, related her plans, learned the names of trust companies handling self-administered RRSPs and that deal with that brokerage firm, deposited the full amount of this year's contribution to the new RRSP at the trust company, placed an order to buy some stocks using the money in that fund, and filed her tax return. When she filled out her tax return, Mary, as usual, deducted the full amount of the RRSP and waited for her rebate, expecting a cheque that would include, in her case, nearly $1,000 for having contributed the maximum to her RRSP.

Mary stands to gain much from this strategy:

- Whatever growth the stocks experience will not be taxed until she withdraws the money.

- She is free to buy and sell stocks within the fund as she chooses.

- The money is available to her at any moment, and for whatever purpose she wants.

- She can transfer money from within one RRSP account to another, tax free.

- She has the option of owning as many types of RRSPs as her needs dictate, providing, of course, she keeps annual contributions within her allowed limit.

- Her flexibility is increased by the fact that many financial institutions -- banks, trust companies, credit unions -- offer RRSPs.

As she does every year at this time, Mary wears a very self-satisfied grin: she has used the system to her maximum advantage and taken positive steps to assure her own and her family's well-being.

Women and RRSPs

By now you probably have the idea that we think RRSPs are a very good deal indeed. RRSPs are easy to open, there are no complications in dealing with them and they are flexible, valuable, and lucrative.

Why, then, do so few women own them? Why do almost all women break the most basic rule of personal financial management by failing to contribute the maximum amount each year to an RRSP?

The writer of this paper is a feminist who has observed that most men own RRSPs, and profit from them, and that most women do not, and lose out in the government's great annual money sale. One friend, after taking out an RRSP, received an income tax refund of $1,500 after several years of actually owing the government money, let alone receiving a rebate.

There can be only two reasons why women fail to take advantage of all the tax breaks available to them, especially RRSPs:

a) women aren't accustomed to dealing with money and would rather leave it to the men in their lives, or ignore it altogether
b) for some reason they don't believe that RRSPs are suited to their individual circumstances.

Wrong on both counts.

Women must stand on their own two feet and learn to take care of themselves because they are vulnerable. They are vulnerable to everything from desertion, divorce, widowhood, discriminatory wages and

hiring practices, job stereotyping, and even, from the fact that they are likely to outlive the spouses on whom they are dependent. Life can be difficult; learn to blunt some of its sharper edges by taking advantage of all the breaks available to you.

"But RRSPs aren't suitable for me."

Wrong again. Whether you're single, married, divorced, young, or old, in the paid labour force or at home, there's a place for RRSPs in your life. In fact, women have more scope for benefiting from RRSPs than men do!

For Young Women

The younger you are, the more you stand to gain from RRSPs. To begin with, don't be put off by the word "retirement" savings plan. We cannot stress often enough that the money can be used for anything you want, whenever you choose. It's a retirement savings plan because that's the principal goal the government had in mind when creating the scheme: to encourage people to save toward their retirement needs. But, and it's worth repeating, you can withdraw the money any time you want, and use it for any purpose you choose. However, you will have to pay tax on the amount written.

Can't afford to put the full amount aside every year? That's quite possible. Some young people may be unable to come up with the maximum allowable contribution and be reluctant to borrow enough to make up the difference. Our advice is to always put aside the maximum, even if you have to borrow; but if you're not prepared to do that, do put something into your plan each year, from the time you begin working. Many people find it easier to deposit their annual contribution to an RRSP by small monthly payments rather than as one lump sum at the end of the year.

The effects of contributing even a modest sum from an early age are almost magical. One commentator noted that "a $1,000-a-year plan begun at age 25 will accumulate more by age 65 than a $3,000-a-year plan begun at age 40." Start now, even if only on a small scale.

RRSPs and the Single Woman

With only one income to dispose of, the single woman needs to make the most of every tax break available to her if she's to accumulate the money to attain her goals. The reduction in tax payable and the increased rebate will help you move closer to those goals; the flexibility allows you to use the money at any time you choose, and for

whatever purpose you want. A substantial RRSP does wonders for a credit record, and is very good hedge against unemployment. And with the economy as it is now, an RRSP could be the deciding factor in letting you contemplate the nicest kind of unemployment -- the voluntary sort, undertaken to start a family. Not all women plan on marrying and having children, but for those who do, an RRSP is the most responsible action you can take to assure the well-being of your future family. An RRSP begun when you're single and young is the most responsible action you can take to assure the well- being of your future family, and it's never too early to start thinking along those lines. Don't smile! The majority of Canadian women marry and have children.

Married Women

The married woman is perhaps in greatest need of an RRSP: it allows her to continue contributing to the family income if she stays home to raise children; it's an added cushion against the financial impact of separation, divorce, or widowhood and, when the children are independent, it might by the key to returning to school or financing re-entry into the paid labour force.

The full-time housewife can have an RRSP even when she has no earned income. The Income Tax Act allows spouses to split income between themselves in order to maximize deductions. The basic idea (and this paper isn't the right place to discuss all the factors involved), is that the family's major wage-earner (assumed in this instance to be the husband) can put the maximum allowable amount into his own RRSP, or increase the family's total deductions by putting some of it into his wife's plan. This sort of RRSP is a means of providing a spouse with a source of income. The tax payable on withdrawals from the wife's RRSP will be less because of the owner's lower tax bracket. There are some rules to follow, but that's it in essence. So a woman doesn't even have to be in the paid labour force to have an RRSP! (Nor does a child. The Income Tax Act allows wage earners to contribute money to a child's RRSP, as long as the contributor does not exceed the allowable maximum. But that's a digression -- back to women!)

Working Women

There's one more variable: the woman in the paid labour force can use an RRSP to increase her paycheque! How? If she (and obviously this applied to working men as well), prepays her RRSP contribution she can apply to the local Revenue Canada office to authorize her employer to reduce the amount of tax withheld from her paycheque. This arrangement is possible because income tax deductions on paycheques assume that each employee will have the standard, and minimum, deductions. Any deductions above that standard minimum, such as RRSP contributions, will

likely result in a refund, so the government allows you to receive the refund in advance, through reduced payroll deductions, in return for proving that you have prepaid your RRSP. The authorization is not automatic; it has to be applied for. Write your local taxation office, source deductions section, and provide these details:

- reason for requested reduction of tax withheld (other qualifying payments include maintenance or child support payments made as a result of a written separation or divorce agreement)

- your employer's name, address, telephone number, and the name of the payroll department head.

There's another advantage to prepayment: your contribution will earn that much more by being in the sheltered environment an additional year. For example, a taxpayer who can set aside the maximum contribution of $5,500 early in the year over 30 years at 8% compound interest (which, by today's standards, is a very modest rate of return), will receive $672,000 compared to the $617,000 that will be earned if the contributions are made at the end of the tax year.

Should You Own An RRSP

It's our opinion that no woman under the age of 71 (this is the maximum age anyone may own an RRSP) who has an earned income or whose spouse has an earned income should be without an RRSP. Once you've satisfied yourself of the need to take advantage of the federal government's money sale, you need to decide what sort of RRSP to open. The good news is that there's an RRSP for every personality and need.

What Sort of RRSP?

Because books have been written on choosing the right RRSP we obviously can't go into the subject in any great detail here. A beginner can concentrate instead on the types discussed below.

The cash RRSP resembles a bank savings account except that it's in a sheltered environment. It is the simplest form of RRSP and, when issued by a bank or trust company that belongs to the Canada Deposit Insurance Corporation, is one of the safest and most secure investment vehicles available. It's the kind that lets beginners sleep nights. A cash RRSP earns interest, the interest is credited to the fund, and the effects of compounding in a tax-sheltered setting will soon produce a healthy nest-egg to help cushion you against rude shocks to your financial well-being. All sorts of interest rates and terms apply to the wide array of cash RRSPs available. Some institutions leave you free to withdraw the money at any time, others lock it in for fixed terms.

Choose the sort that best suits your needs. Shop around: the competition for your money is intense, and financial institutions offer almost every imaginable combination of fees, interest rates, and terms. In general, look for the best possible combination of security, rate of return (be certain the return is at least above the rate of inflation), responsiveness to changes in interest rates, cost, withdrawal privileges, service, and frequency of compounding. (As a rough rule of thumb, the more frequently interest is credited, the better it is for you.)

Although cash kRSPs held in reputable financial institutions are generally secure, be alert to the need to open new cash RRSPs at different institutions as each account approaches $20,000 which is the current maximum protection available through the Canada Deposit Insurance Corporation. Avoid opening an unnecessarily large and confusing number of RRSPs, but stay agile enough to keep each RRSP below the $20,000 cut-off point. Absurd to be worried about this? Not at all. Money grows very quickly with the combination of compound interest working in a tax-sheltered environment. Stay alert!

A different sort of RRSP, one that is another rung up the ladder in terms of riskiness and commensurate potential for greater profitability, is a mutual fund managed by experts who invest in the stock market, real estate, mortgages, and other vehicles, on behalf of people who entrust their RRSPs to them. Variety is the norm in this kind of investment. There are generalized mutual funds that participate in a broad spectrum of investment vehicles, and specialized funds that invest in, for example, only oil and gas stocks, or only gold stocks, to name just two types. Naturally, the rate of return varies from one mutual fund to another, and, within funds, from one year to another. Before deciding which fund will receive your money, do your homework. The books listed at the back of this paper will help you learn about various funds and the conditions they impose. There are risks and restrictions in going the mutual fund route, but there is also the potential for earning very high rates of return. However, we can't overemphasize the need to do a careful investigation before committing your money: learn about the fund's past performance, its record on paying dividends, its fees, and whether your circumstances will let you be comfortable with its conditions and penalties for the withdrawal of funds.

And never forget this: RRSP does not mean risk-free. The fact that your money is in an RRSP does not make it immune to loss. Choose carefully.

The next general category of RRSP is the self-administered type. Its appeal is to people who think their money will grow best when they take responsibility for all the investment decisions, rather than leaving

those decisions to strangers. The books mentioned at the back of our paper outline all the many sorts of investments one can make in self-administered RRSPs. Briefly put, eligible investments range from straight cash accounts to stocks, bonds, commodities, guaranteed investment certificates, and mortgages, all the way to mutual funds. The competition among financial institutions offering self-administered RRSPs is fierce, and each one seems to have its own combination of fees, services, privileges, and conditions of withdrawal. Do your homework if you want to participate in this exciting venture; the potential rewards are there, but so are the risks.

Most financial institutions charge a fee for administering your RRSP and filing the tax returns related to it. You will usually be given the choice of paying this fee from funds held within the RRSP, or from outside the RRSP. Our advice is to do the latter, because when you pay the fee from outside the fund you can deduct it from your taxable income. No such deduction is available by paying the fee from within the RRSP.

In what has necessarily been a very brief discussion of the subject, those are the basic sorts of RRSPs available. How are you to decide which is the best for you? Perhaps the best help is the advice of a financial consultant whose judgment you trust and who knows your finances and your financial goals.

Some advisers suggest that a good approach is to begin with a cash RRSP that earns a good rate of return and is easily withdrawn. Then, as you acquire greater financial security and as your financial acumen grows, you can branch out into other forms of RRSPs that provide greater potential for profit -- and correspondingly higher risk!

Before you decide, prepare a shopping list of your reasons for wanting an RRSP.

- If you want a nest egg to give protection from unemployment, to enable you go back to school, or start a family while continuing to contribute to the family's income, then you need a cash RRSP that's readily withdrawn and which yields a good rate of return. However, as explained on pages 19 and 21, if you do not have an alternate source of retirement income such as a private pension plan or contributions to the Canada Pension Plan then you will not have a comfortable income when you retire.

- Is your goal an early retirement to be financed at least in part through your own savings? Then you will want to consider establishing a number of smaller RRSPs, preferably in cash or in a similarly liquid form, and terminate them one at a time. Of course, you will be taxed on money that is withdrawn, so you should time the withdrawal for a moment when your income from other sources will be small. You will need to "deregister" (terminate) those RRSPs one at

a time because, under current legislation, you cannot buy an annuity with an RRSP until you reach age 60. If you inten to become a vagabond at age 40, build up a number of small liquid RRSPs and deregister them one at a time until you are able to purchase an annuity at age 60 with your remaining RRSPs. (You can also deregister only part of an RRSP. Instruct the trustee to transfer into a new or existing RRSP whatever sum you do not wish to withdraw, and then deregister what remains in the original account.)

- Anyone whose primary goal in having an RRSP is to assure a worry-free retirement will likely want to open an RRSP that features guaranteed, interest-bearing certificates, or the like.

- RRSPs are flexible enough to let you spend and save at the same time: you can open an RRSP one year that's for short-term options like going back to school, and next year open another one that's for a longer-term goal. As your needs change, you can transfer funds from one type of RRSP to another, free of tax.

To repeat, there's an RRSP strategy for every need and personality. Good hunting!

Filing Your Return

Given everything that's at stake in paying income tax, you might think that all of us would treat the process quite seriously. Not so. Hardly anyone spends more than three hours preparing a tax return, and in doing so hands over far too much money to the government, money that could be used for reaching goals. As a general conclusion to our discussion of how to use income tax to your best advantage, we offer a few summary pointers dealing with the mechanics of filling out and submitting your return.

Take comfort from the fact that the Canadian income tax form is probably the simplest of its kind in the world. Our neighbours to the south, for instance, when shown our form, simply smile with disbelief at how easy our form is to deal with compared to their own. Whenever filling out the return starts to get you down, take comfort from the successful work of the people at Revenue Canada in supplying a form that's a model of simplicity and directness. Come to think of it, that might be the reason why most of us spend less than three hours on our tax returns!

Check, double-check, and triple-check your arithmetic. By far the biggest source of error in tax returns are common mathematical mistakes -- something like 2.3 million of them in a recent tax year. The

government's computers will catch these mistakes and the department's employees will correct them, but the resulting delays serve only to keep money out of your hands that much longer.

Do you think that it's odd that people have to be reminded to make all the deductions they're allowed to make? Some people, in addition to making the understandable mistake of failing to use to the fullest some of the more sophisticated deductions, fail as well to make such straightforward deductions as the business expense deduction (on page two of the return); the interest, dividend, and capital gains deduction, and, of most importance to women, the equivalent-to-married exemption. If you have any doubts about whether you're using all the deductions that apply to you, re-read our discussion of the subject, but by all means read every line of the guide that accompanies your return. It doesn't read as well as Tolstoy or Dickens, but it could save you enough money to let you indulge a taste for first editions of their books.

If you have an expense account at your place of employment, never take fixed allowances to cover these expenditures. Revenue Canada will usually treat this as income and tax it accordingly. Instead, ask for reimbursement from your employer for money actually spent on the employer's behalf and avoid tax.

Finally, receipts. Keep your tax-related receipts. There are untold thousands of instances where taxpayers lose out on deductions simply because they don't have the receipt on hand to back up their claim for the deduction. If in doubt -- keep it! No one expects you to file your receipts with the accuracy and retrievability of a computer; instead, if even a simple organization of your receipts into annual file folders or envelopes defeats you, then at least keep them all in the same drawer.

Having said that, we'll now point out that there are certain classes of deductions you may make without appending the applicable receipts to your return, but which you must nevertheless hold onto should Revenue Canada ask you to prove the deduction. Naturally, however, most receipts must be submitted with your return. Read the tax guide carefully to learn what's expected in this regard. For instance, among the most common errors people make in filing their returns is the failure to append the statement of family allowance (Form TFA1). The tax department also looks for receipts in a particular order. If you think your return warrants paying attention to this matter (few returns actually do), consult Information Circular 78-17, available free from the tax office.

It may come as a surprise to you, but the Canadian Government wants your income tax return to be processed smoothly and without complications, just as you do. After all, there are many billions of dollars of

revenue at stake. One step the government has taken to assure you of a relatively carefree tax season is to make tax information available to anyone who wants it -- free of charge. You can telephone your district taxation office to discuss your return, or you can bring it to the local office. Staff there will answer your questions, give you advice on what to put onto the forms, and, if you have appeared in person, will examine your return, look for all required receipts, and even check the arithmetic, more or less quickly depending on how rushed things are. The staff is not responsible for the advice given, nor do they guarantee their interpretations of the income tax laws. But they are experts, and the entire service is courteous, prompt, and free. There are few comparable bargains anywhere. Of course, you will have to expect crowds or busy telephone lines as April 30 draws closer, so telephone or visit as early in the New Year as possible.

If, despite all this, you still tremble at the mere thought of having to cope with an income tax return, no matter how simple it is, or how readily available free information is, then by all means do not hesitate to hire someone to do your return for you. As the advertisement says, no one expects you to be an expert at something you do just once a year. In using outside help you'll be in good company. According to one source, two-thirds of Canadians have someone else do their tax return for them. If you must, join the crowd. It would sound like an endorsement if we were to name the companies that perform these services, so ask your banker to recommend someone.

Because the fee is so small at most such companies (the biggest company's fees average around $20), there is no excuse for going to tax rebaters. For the uninitiated among our readers, a tax rebater purchases T4 slips for cash at a discount from people who need or want cash more quickly than they can receive it by submitting a tax return, and then submits the return and collects and pockets the rebate. There's nothing illegal about the practice providing the discount does not exceed 15 percent, but it's a pity to see people going this route and throwing away money when the government itself offers free information and assistance, and when reputable private-sector companies will help you with your return for a fraction of the cost the rebater charges. Don't throw your money away -- it's too important to the goals you've set for yourself, and those goals are the reason why you're learning about personal financial management.

When Your Return is Disputed.

You would lead a charmed life if every income tax return you submitted were error-free, and if you were never to receive a notice of assessment

relating to a tax return you've filed. Don't panic if Revenue Canada sends you a form disagreeing with the return you submitted and altering the result. The notice of assessment will always contain an explanation about the change made. In many cases the change will be the result of nothing more than a mathematical error. If arithmetic is not the source of the problem, and if you disagree with the reasons given for the change made on your return -- fight. Revenue Canada isn't always right, and whether you win or lose, you can usually deduct the cost of conducting the fight. (As an aside, remember too that you can challenge alterations made to your returns or even resubmit returns, for as far back as the previous four years.) To open combat with Revenue Canada, arm yourself with a copy of the form Notice of Objection (Form T400A, available free from the district taxation office), and submit it within 90 days of the date shown on your assessment notice. In this, as in all other tax-related matters, free information is available by telephone or in person from your local tax office.

If, after reading all we've had to say on this subject, you still spend less than three hours completing your tax return, fine -- we're confident that if you follow our suggestions you'll be spending that time a little more productively, and putting more money into your own account instead of into the government's!

Where Have We Been?

It's time to pause for a moment to take stock of where we've been and what lies ahead of us. Our paper is intended to point out how you can reach your goals a lot faster simply by mastering a few principles of personal financial management. We pointed out that a budget is a good tool for letting you see at a glance what your income and expenses are; that there are now more wrinkles to banking than ever before, and that, if you look on income tax as a means of saving money, you can pocket a great deal more money every year than you probably ever dreamed of doing before. In fact, the sections on banking and income tax that we've just finished were really about one thing: how to reach your goals faster by getting more from the money you own.

What's Left To Talk About?

Just one thing, really: In the pages that follow we will discuss the flip side of the coin: How to reach your goals even faster by making responsible use of money you don't own. In other words, we're going to talk now about a few approaches to using credit. If the thought of using someone else's money has a certain appeal to you, then read on!

Credit

Perhaps your parents -- and almost certainly your grandparents -- saw being in debt as something to be ashamed of. No matter how worthy the reason for going into debt, owing money was almost a social stigma. Take a look, for instance at advice given to people immigrating to Canada 150 years ago:

> "Avoid getting into debt, as you value your prosperity, your peace, usefulness and happiness."

It didn't matter to that writer that starting a new life and embracing a fresh opportunity was worth going into debt for; what counted for him was that debt was to be avoided no matter the reason. Well, we're going to go out on a limb and say that refusing to go into debt for important and worthwhile reasons is foolish and perhaps irresponsible.

We take that point of view because we believe that quality of life is important, and that responsible people will recognize its importance. We don't recommend going into debt for frivolous items, but we do think there's value in borrowing to make purchases that will contribute to your own growth and to that of the people around you. Let's take an example of what we mean.

It won't be news to anyone that washing dishes is tedious and time-consuming. Let's say you've surveyed the market for a dishwasher and you're faced with saving for six months to be able to pay for it in cash, or borrowing to buy it now and pay it off in installments for six months. We think the responsible course of action is to borrow and purchase it now, to have six more months of additional time and energy to spend with your family, or study, or go out, or read, or whatever.

What we're recommending is that you carefully weigh the importance of what you want to buy, select only those items that are really worthwhile and leave the others for the day you win the lottery!

With that in mind, let's do some back-tracking. Take out that list of priorities you prepared previously and look at it again. It might include appliances, furniture, clothing, or a vacation. It would be great to march out and make all those purchases today, but few of us can do that. What follows is a suggested strategy to help you make those purchases over a given length of time and still stay within your income. Sound difficult? Not at all -- if you make a habit of following the good money management techniques that apply to using credit.

Your Credit Record

No business, whether it's a department store, bank, or restaurant, could

stay in business if it made credit available to people who are poor credit risks. The business world has established an elaborate network involving credit bureaus and other sources of information in an effort to find out who is a good credit risk and who is not. The system works something as follows: the people who have demonstrated that they repay their debts promptly and fully are called good credit risks and are likely to get additional credit on request. People who are careless about repaying, who pay only part of their bills, and who force the lender to send reminder letters or take more drastic action to collect the debt, will have this information added to their credit record and will receive an unpleasant surprise when they ask to borrow again.

There's one more point to bear in mind. Credit is like a muscle that must be used if it is to grow and develop. By not using credit you'll find that you don't have a credit record. This is the case regardless of your financial status. If you have never borrowed but have bought everything with cash, you will likely have a difficult time securing credit, even if you earn a big salary, and even if you have a lot of money in your savings account. People are considered for credit on the basis of their record as a user of credit. In other words, your track record as a credit risk is all-important in borrowing money to help you reach your goals faster. The following pages discuss how to build up the sort of record that will make responsible borrowing easy.

Establishing a Good Credit Record

Start by selecting a financial institution that you think you could do business with on a long-term basis. If you don't have one in mind, ask your friends for advice and learn whether they're happy with the service received. Don't confine your survey to banks; credit unions and trust companies offer good services and should be considered as well.

Then, begin the two-part process of building a good credit record by making a number of small credit purchases and regular deposits to a savings account. We'll discuss the savings account in a moment, but first let's look at making frequent credit purchases.

Use Your Credit Card

The writer of this paper owned a bank credit card for several years and was proud of never having to use it, until someone pointed out that the responsible use of a credit card was one of the best ways of building a good credit record against the day when a loan for a really important purchase became necessary. As a result, the credit card was put to use, and nice things happened. But it has to be done the right way. Our advice is to obtain a credit card from a bank or department store, make lots of necessary small purchases with it that are well within your

budget, and pay each bill in full, and before it's due. Others may disagree with this strategy, but we think it is an excellent way of building a track record, provided, of course, that you buy only what you need, that you always stay well within the budget you drew up earlier and that you always pay the bills in full, and on time (if not before they're due).

We will go so far as to say that you should consider using your credit card instead of paying cash whenever the merchant permits, because customers who pay with cash are subsidizing those who use credit cards. That's because merchants pay the issuer of the credit card (usually the banks) a percentage of each purchase, and the issuers don't permit the merchants to give their cash-paying customers a discount. In order to make the same profit they did before credit cards came along, merchants have had to increase their prices to accommodate the extra payments to the banks. If you don't feel like subsidizing those who use credit cards, consider becoming one of the subsidized people by declining to pay cash whenever the choice exists.

We hasten to say that our advice about making liberal use of your credit card is made on the understanding that you are using it for small purchases you would otherwise have made with cash, that all purchases are well within the budget you drew up earlier and that all bills will be repaid in full before they're due. We are not issuing you with an invitation to single-handedly bringing the Canadian economy out of its slump and return the nation to full employment. All you want to do is demonstrate to a potential lender that you are a reliable prospect for the loans that will help you reach your goals more quickly. We're talking about a relatively long term here, say, six to twelve months, and not just a month or so.

The Risks

We would not be doing you a favour if we failed to point out some of the perils in using a credit card liberally.

- Keep the number of cards you have to an absolute minimum. With no trouble at all you could acquire a dozen credit cards and thereby multiply all the potential complications that would result from the loss or theft of your wallet or purse. We recommend having two cards: one of the bank issued cards, and one from a department store. Your goal is to build up a credit record, not to be able to shop everywhere with a credit card.

- Treat your credit cards as though they were cash. To guard against the fraudulent use of your cards if they become lost or stolen, record the account numbers and keep them in a safe place

outside your purse or wallet. The easiest way to do this is to visit your public library and make a photocopy of all your cards. Should your card become lost or stolen, notify the issuer immediately so that it can be cancelled right away. Doing so will reduce your liability should someone decide to go on a spending spree at your expense.

- The monthly bill on cards issued by a bank or a department store can be paid directly at the bank or the store; it's a convenient way of avoiding the uncertainty of the mail and lets you be certain the payment was received -- and that's the whole point of this exercise!

- Keep the receipts for each purchase you made, and append them to your monthly statement. That way you can be certain you're paying for only the purchases you actually made, and have not been billed incorrectly.

- Pay the bills before they are due, because the interest charged on overdue accounts is about the highest you will pay anywhere.

- The policy concerning overdue accounts varies from one issuer to another, so read your contract carefully. At least one issuer charges its customers on the full amount that was originally overdue for as long as any part of that sum remains overdue. With that issuer, making installment payments does not progressively reduce the interest you have to pay; you pay interest on the full amount for as long as any amount remains overdue.

- The high interest rates charged on overdue credit card balances are the reason every financial adviser recommends that you use your credit card for small purchases only, and that you make big purchases with consumer loans, which are generally less costly. (We'll talk about consumer loans later).

- When you make a credit card purchase and return the item purchased, you will receive a credit to your account rather than cash. The credit will appear on your statement and will reduce the amount of payment required that month. Almost always, though, the credit will appear in the computer before it appears on your monthly statement. When that happens you can reduce the amount you owe by the amount of the credit in your account without penalty. If you know that credits have been posted to your account that are not yet shown on your monthly statement, phone the credit card issuer to learn how much the credit totals and reduce your payment accordingly. By doing this you will avoid making unnecessary payments that tie your money up and keep it from earning interest in a savings account.

As we said earlier, you should regard this approach to using your credit card as a relatively long-term project, perhaps lasting a year or more. If you want feedback on your progress as a credit risk, every three or four months ask the credit card issuer to increase your limit. Most cards are initially issued with the minimum limit. As you establish a reputation for paying bills promptly, the issuer will be pleased to increase your limit, and increased limits are another plus on your side when negotiating a consumer loan. But an increased limit is not an invitation to spend more! You have to remain within the budget you established.

Building a Savings Account

The second part of establishing a track record requires much less comment than the first. It's simple to make regular deposits to a savings account to let your banker know you're not living from paycheque to paycheque and that your credit-worthiness is improved by the presence of some cash reserves. The size of the deposit is less important than how regularly you make it. Fifty dollars a month, $75, $100 -- it doesn't matter how big the deposits are, just so long as you make them regularly. Again, we're talking about making these deposits for six months or a year. Everything about building a good credit record takes time, and this is no exception.

Time for another breather.

Where are we now?

We're talking about the most responsible ways of using other people's money to help you have the things you want faster. Our advice is to build a good reputation as a good credit risk by deliberately using a credit card to establish a history of being a good risk, and to make regular deposits to a savings account to prove that you don't live from hand to mouth. That's great, but a good record as a credit risk is like owning a Rolls Royce -- there's no point having it if you don't show it off! The next section is about the importance of developing personal contacts to let you do just that.

We believe that personal contact often makes the difference between credit being a tool you control, or one that controls you. Take the time to make a friend of the person who manages your bank, credit union, or trust company. In all money matters you should regard the manager or credit officer of your financial institution as your strongest ally. Keep him or her informed of your income, your salary increases, your change of career, if applicable, and your steps to self-betterment, whether through night courses, correspondence courses, or an industrial training program your employer has made available to you. A good credit

officer will appreciate the personal contact and will fit it into the overall assessment of your credit worthiness. By taking the trouble to keep the manager informed of your progress during the good times, he or she will be more sympathetic and helpful should bad times come your way whether in the form of a lay-off, a change of job, or some unexpectedly high bills.

As before, we're talking about a long-term approach. In order to help your credit manager make an accurate assessment of your credit worthiness, start developing the personal contact as soon as you begin following our strategy for building a good track record. By establishing the personal contact from the beginning you will give the credit manager the opportunity to reflect on each stage of your development as you reach it.

Before using your good track record and the personal contact you've made with the loans manager, take another look at the list of priorities you drew up earlier. Let's say that the number one item is a dishwasher costing $500. If your budget shows you had a disposable income of $75 a month, it will take you about six or seven months to pay off the loan needed to buy the dishwasher. What's the second item on your list of priorities? Perhaps it's a sofabed and it costs $600. Do the same calculation using $75 a month of disposable income and you will find that you need to make payments for some eight months. Go on to the third item, note its cost, divide that by the monthly disposable income, and figure out how long it will take to buy it. Do the same for every remaining item on the list.

Don't be afraid if your priorities list stretches into several years: you're learning the all-important lesson of pacing your purchases so that your use of credit will never get out of hand. You're matching your disposable income against your priorities and drawing up a schedule of purchases that will see you buy one essential item, pay it off, and then move on to the next one. If you're realistic about the amount of money you really have available to spend, if you follow sound financial management practices on a daily basis, and if you limit your credit purchases to essential items -- if you do all this you don't need to fear preparing a list of credit purchases that's several years long. Be prepared to pay off each item before committing yourself to the next. It will take patience, but it's the only way you will maintain a tight rein on the credit animal; otherwise, what seems like a meek pet might turn into a devouring monster!

Applying for Credit

Now you're ready to see your loans manager.

Show the manager all the financial groundwork you did to prepare for this interview, including your budget, the fact that you're making the most of opportunities to save on income tax, the record of your dealings with the institution, the list of stores where you have charge accounts, the purchases you have in mind, and the schedule you've drawn up for making those purchases.

Then ask for a specific sum of money for a specific purchase, say, the first item on your list. Outline the repayment schedule you think you can afford, and ask in return for a statement showing the loan the manager is prepared to give you, and the rate of interest attached to it. Do the same at two or three other financial institutions: bring along the papers you've prepared, ask for a loan, and compare the interest rates. Shop for bargains in loans just as you would for any other purchase, and take the loan that offers you the best rate.

When thinking about a credit purchase, remember that the dealer you're buying from may be able to make a much better offer than your bank can. The people who sell cars, boats, furniture, major appliances, and so on, also arrange financing for their products, and may offer attractive terms.

Whatever size loan you make, insure it so that should you die before it is paid off your family or your estate won't be responsible for the payments.

As a general rule of thumb, finance companies are quite prepared to make loans, but charge a very high rate of interest in return for that openhandedness. That's why you are cautioned to be very careful in dealing with finance companies.

After you've done some shopping around, you may discover that it's very advantageous to join a credit union and do all your banking there. Most credit unions offer members a number of advantages not available at other financial institutions.

After weighing all the choices, take the loan, make the purchase, and be very careful about depositing the payments in full and on time, every month. When you've made the final payment, go back to the lender and talk about the second item on your priorities list. Repeat the drill: ask for a specific sum for a specific purchase, get a statement that clearly defines the terms of the loan, shop around for the best terms available, borrow accordingly, and insure the loan. Make all the payments on time, and in full, and start thinking about the next item on your list. It can become quite a fun game if you're able to keep on top of all the rules all the time. That's not always easy and the next section discusses what to do should you falter.

Rough Going

Events rarely work out the way we plan them to. What should you do when you encounter a problem handling credit? Regardless of the problem, whether it's something relatively simple like a short-term inability to meet a payment, or whether it's something more serious that requires long-term planning, follow the advice we gave earlier: in all matters dealing with personal finance treat the manager of your financial institution as your strongest ally. No matter how complex the problem is, begin by going to the manager to sort things out. Explain the situation, bring along supporting documents like your budget and work out a solution together. More often than not the manager will prove very willing to help you out of a tight situation, especially if you've gone to the trouble to take him or her into your confidence.

Whatever you do, don't ignore the problems and hope they'll go away, because they won't. They'll only get worse. Be kind to yourself, deal with the situation head-on, work the problem through, and learn the invaluable lesson of careful credit management.

Women and Credit

In general, those are the elementary rules of using credit. Some aspects of credit that apply to women specifically are noted below. In March 1976, Alberta Consumer and Corporate Affairs and the province's credit-granting institutions prepared the following guidelines relating to women and credit.

- A woman shall be given the same consideration as a man in similar economic circumstances when applying for credit.
- Credit shall be extended to a credit-worthy married woman in her own name.
- The same standards will apply to mortgage applications, regardless of which spouse is the main family supporter.
- A husband and wife will not be required to provide information about family planning when applying for credit or mortgages.
- Alimony and child support shall be considered a source of income.
- On request, a credit-reporting agency shall keep a separate file on the husband and wife.
- A newly separated, divorced, or widowed woman shall not be refused credit solely because of a change in her marital status.

If you meet the criteria but are still having difficulty acquiring credit -- if you feel you are being discriminated against simply because you are a woman -- complain to:

Alberta Human Rights Commission
501 Edwards Professional Building
10053 - 111 Street
Edmonton, Alberta
T5K 2H8

Telephone: 427-7661

There are a few credit-related matters that married women should know about. First, either spouse is responsible for the other's debts if both spouses co-signed for them. If, for example, a wife co-signs for a car loan and the husband uses the car to make a long-term getaway from both the marriage and the payments, the wife is responsible for that loan. Be careful about co-signing for any loan you would be unable to pay for on your own if the worst were to happen. Secondly, a housewife who is a full-time homemaker should establish an independent credit record in the event her status changes or if she wants nothing more than the means to buy a surprise gift. The strategy remains the same: make credit purchases in your own name that are promptly paid off in full, and make regular deposits into a savings account from, say, the housekeeping money. Of course, establishing personal contact with the loans officer is as important for the homemaker as it is for any other borrower. With respect to mortgages, the National Housing Loan Regulations now provide that either the husband or wife can be considered the home owner or purchaser and that 100% of the spouse's income can be included with the applicant's income to qualify for an NHA loan.

Loose Ends

Here are a few concluding thoughts.

By following the money management techniques described in this paper you will soon discover that you have much, much more money available to help you reach your goals. Of course, having more money will tempt you to add to your list of priorities. Every item on your list should be carefully thought out, whether it's one you've had down for a long time, or one that only recently ocurred to you. Among those you're likely to add as a "luxury" item is insurance, about which we have prepared the following words of warning.

Life Insurance and Disability Insurance

Insurance deserves careful study because it can be a major part of everyone's financial security. To explain how, the Alberta Women's Bureau published an easy-to-follow booklet called Life Insurance and Disability Insurance: the Woman's Point of View. It deals with all the concepts and all the terms, and does it so objectively that many members of the insurance industry distribute it to their clients! For a free copy write or telephone the Alberta Women's Bureau. Until you receive your copy, here's a summary of the booklet's contents to give you something to think about.

The only people who should buy life insurance are those who have a true insurable interest to protect. Buy life insurance only if someone is dependent on you for the necessities of life, maintain that life insurance only so long as the dependency lasts, and then drop it. Buy term insurance only.

According to Statistics Canada, one Canadian in seven at sometime in his or her working life will be disabled longer than six months. For that reason every working person who has an income to protect should buy disability insurance, add to it as required, and keep it fully paid up all the time.

The key to buying insurance is to shop, shop, shop. Don't buy the first package that comes along. Take your time, shop, and buy the one best suited to your needs.

The foregoing is only the briefest of summaries; read the Alberta Women's Bureau's booklet before taking further action.

Divorce

One financial aspect of divorce that deserves careful consideration is maintenance payments. Before choosing to receive a lump sum maintenance payment be aware that your own financial situation may worsen, and, even though you might not now require financial assistance from your former spouse, you may in the future. In general, it's easier to have periodical maintenance payments increased, regardless of how small they may be initially, than it is to begin receiving one that wasn't provided for at all in the original settlement. Do not forget to calculate the effects of taxation when you decide on the size of maintenance payments you need to receive. Don't leave yourself short of cash because the tax collector has come along.

Anyone who is obtaining a divorce or who was recently divorced is entitled to receive one-half of the spouse's Canada Pension Plan

credits. The transfer is not automatic; application must be made within a relatively short time following the divorce, and must include the former spouse's Social Insurance Number and date of birth. Seek legal counsel if you require assistance.

Your House

Try to make your mortgage payments as large as possible. Even a very small increase in the monthly payment will make a big difference over the life of the mortgage. One writer calaculated that, on a 25 year mortgage of $50,000 at an interest rate of 13.25%, to be paid off over 25 years, paying an extra $21 a month will save you about $21,000 over the life of the mortgage if the rate remains the same, and even more if the rate goes up. Don't go overboard in this regard - leave some money to buy toothpaste! - but do think about increasing the size of your mortgage payments.

Preparing for Widowhood

You may think us morbid for discussing this topic, but few subjects are more important to women than the financial implications of becoming a widow.

Any woman who is married or in a marriage-like relationship risks becoming impoverished by the death of her partner. The statistics continue to show that most elderly single people live in poverty, and that most of them are women. It remains true that, on the whole, women outlive men. For your own well-being, therefore, you should take an active interest in the partnership's finances and in provisions for your support should your partner predecease you. Start with straightforward practical matters such as the location of bank accounts, safety deposit boxes, stockbroker accounts, Registered Retirement Savings Plans, and outstanding debts. Discuss with your partner the need to insure every loan so that should one partner die before it is paid off the estate will not be called on to pay for it and thereby reduce the survivors financial resources. However, two matters are so important that all others are insignificant in comparison. First, be certain to draw up a will that leaves no doubt about the disposition of property including the contents of RRSPs, on death. Wills and Estates for Albertans, a publication of the Alberta Women's Bureau, is available free of charge from that office. Secondly, do a continuing review of your need for life insurance, and keep the policies fully paid and up to date.

If you do not master the financial aspects of your marriage or marriage-like relationship, your partner's death could leave you without

the means to support yourself at a moment when you are undergoing all the emotional stress associated with your loss. We realize that it might be very difficult for you to broach the subject of preparing yourself for widowhood, so we suggest that you approach the matter little by little. Start by becoming involved in small matters: learn how to pay the bills; display an interest in helping with the income tax return; discuss investments and insurance, and just generally take an interest in the family's financial matters. As you do so, learn the practical details that we mentioned above (such as the location of bank accounts), and as time goes on you will probably find yourself more comfortable discussing life insurance and wills.

We cannot stress how important all this is, especially for the woman who is not in the paid labour force. Women are vulnerable to many shocks, and the most lasting and profoundly felt are those affecting financial well-being.

Financial Counselling

Free counselling is available through the Alberta government to anyone having problems handling money efficiently. The Family Finance Counselling Service of the Alberta Department of Consumer and Corporate Affairs has offices in Calgary, Edmonton, Fort McMurray, Lethbridge, Peace River, and Red Deer. To get in touch, contact you local R.I.T.E. operator (the number is in your telephone directory under the heading Government of Alberta). The Federal Department of Consumer and Corporate Affairs refer debtors to trustees when bankruptcy is the only solution to a financial problem.

Conclusion

As we said earlier, we have a very modest goal in putting this paper into your hands: all we want to do is outline the basics of every financial matter that can be expected to touch each person's life. To do so we discussed budgets, banking, income tax, credit, insurance, the financial aspects of divorce, and home ownership.

If you acted on the advice contained in our paper, you prepared a budget that lets you control your expenditures by showing how much you have to spend; you shopped for the best deal available among all the competing services offered by banks and other financial institutions; you took maximum advantage of all the opportunities that income tax provides for saving money, and you accelerated reaching your goals by making responsible use of credit.

In other words, you're managing your money and you're free to take on more challenging horizons in personal financial management. You're now

ready for the heady world of investment opportunities such as stocks, bonds, race horses, rare coins, paintings, pork belly futures, rental property, feature movies, vineyards in France -- the list is endless. Discussing these investments is outside the scope of tnis paper. It's a huge undertaking to go beyond the basics of personal financial management and deal with investments because there are so many variables involved: your investment goals; the capital available; your interests; and whether your nerves are made of steel or water. Many excellent books have been written to guide people through the intricacies of investing money and the list that concludes our paper will take you down any path you choose to follow. Our suggestion, then, is to use our paper as a starting point only, and then to skim the book list for titles you think will help you develop the Midas touch. If you can't find these or similar books in book stores, try ordering them, or go to your public library.

Whatever course of action you take now, we hope you will come away from reading our paper with an awareness of how important it is to define your goals and use sound personal financial management techniques on a continuing basis to help you reach them. By following those techniques as a life-long habit you will have the assurance of knowing that you can competently handle the necessities of life and provide yourself and your family with the extras that add to life's pleasures. We think that freedom from worry, especially financial worry, means freedom to do the things that are the most worthwhile and meaningful.

BOOKLIST

Our booklist talks about five areas:

- making your money stretch further
- managing your money
- taxation
- accounts of how others became rich, as an introduction to investing money

Large as our booklist is, it is by no means comprehensive. If we were to include every book written about personal financial management we would have to deliver our paper to you in a half-ton truck. Instead of trying to cover the waterfront we chose to list some of the more interesting of the recent offerings, and to refer you to your public library or bookstore for additional books on similar subjects. If your bookstore doesn't carry these books or won't order them for you, the Canadian Bookseller Association (56 The Esplanade, Suite 400, Toronto, Ontario, M5E 1A7) will send you a list of member stores in your area, one of which at least will no doubt help you. Your public library has either these or similar titles, or will borrow or order them for you.

Despite the division of the booklist into five areas, overlap is inevitable in a subject as diverse as money. Some titles will be found in one area that might equally well fit into another. You're therefore invited to scan the whole list for interesting reading material on a very exciting topic.

Finally, whatever reading you do from the following list, we urge you to subscribe to at least one of the national financial newspapers. Regular reading is the best way to become a sophisticated manager of your money, if only because no book can hope to remain up to date forever. The national financial press is an excellent source of clearly written articles that beginners can understand. The better of these newspapers go beyond narrowly financial matters to discuss public affairs, the arts, and business. Highly recommended Canadian newspapers are the Financial Post and Financial Times (both weekly), and the Globe and Mail (daily).

1. Stretching Exercises for your Dollar

Interested in getting ahead financially by learning some new approaches to thriftiness? Here are a few places to start reading.

Ask the coupon queen, by Mary Anne Hayes (Pocket Books/Paper Jacks, $2.50).

The book of free books, by W.M. Trevarrow (Domus/Methuen, $6.50).

Canadian homestead cookbook, by Jeanne Scargall (Methuen, $8.95).

The complete money-saving book of appliance repairs, by Harvey Morgan (Scribners/Wiley, $19.50).

The Dell smart shopping with coupons and refunds book, by Bonnie Kupris (Dell, $1.75).

Edible garden weeds of Canada, by Nancy J. Turner and Adam F. Szczawinski (Ottawa National Museum of Man., $8.95).

Edible wild fruits and nuts of Canada, by Nancy J. Turner and Adam F. Szczawinski (Ottawa National Museums of Canada, $9.95).

Encore: the leftovers cookbook, by Betty Jan Wylie (McClelland and Stewart, $12.95).

Energy, money, and your future, by Vern Myers (International Self-Counsel Press, $4.95).

Food plants: answers that work, by Ken Reeves (Clarke Irwin, $6.95).

The garage sale handbook, by Bette Harrison (Beaverbooks/Tempo, $1.95).

Gather ye wild things, by Susan Hitchcock (Harper/Beaverbooks, $14.25).

Getting what you deserve, by Stephen Newman and Nancy Kramer (Doubleday/Dolphin, $11.50).

How to live better and spend 20% less, by Merle Dowd (Parker/Prentice-Hall, $11.95).

How to live on almost nothing and have plenty, by Janet Chadwick (Knopf/Random House, $8.75).

The integral urban house -- self-reliant living in the city, by the Farallones Institute (Sierra Club/Wiley, $16.95).

Living on a shoestring, by Mike Edelhart (Anchor/Doubleday, $7.50).

The next whole earth cataloge, edited by Stewart Brand (Point/Random House, $16.00).

Outdoor safety and survival, by the British Columbia Forest Service and Outdoor Recreation Branch (Contains a section on edible plants).

Planetalk: the consumer's air travel guide, by Richard and Sheryl Levy (Ace/Beaverbooks, $2.95).

Shopping Smart, by John Stossel (Putman/Academic, $12.95).

The underground house book, by Stu Campbell (Garden Way/Beaverbooks, $12.95).

Wild coffee and tea substitutes of Canada, by Nancy J. Turner and Adam F. Szczawinski (Ottawa: National Museums of Canada, $6.95).

Wild green vegetables of Canada, by Nancy J. Turner and Adam F. Szczawinski (Ottawa: National Museum of Canada, $9.95).

Working family's kitchen guide, by Sheila Kennedy and Susan Geidman (Wiley, $5.95).

2. Guides to managing your money.

The books listed below were written to help you handle your cash. The specifically Canadian titles are the most immediately applicable, but the general principles contained in the American works are useful to anyone.

Beginnings - a book for widows, by Betty Jane Wylie (revised edition in paperback, McClelland and Stewart, $7.95).

Budget guide for single parents, by Jeffrey Patterson and others (Social Planning Council of Metropolitan Toronto, 1979, $7.00).

Buying your house, by Joseph Davis and Clayton Walker (Berkley/Academic, $6.50).

The Canadian woman's guide to money, by Monica Townson and Frederick Stapenhurst (McGraw-Hill, Ryerson, $7.95).

A dictionary of Canadian economics, by David Crane (Hurtig, $8.95).

Don't bank on it!, by Martin Meyer (Farnsworth/Clarke, Irwin, $12.95).

The economics of being a woman, by Dee Dee Aherne and Betsy Bliss (McGraw, $3.95).

Establishing a good credit record, by the Alberta Women's Bureau, free

Everyone's money book, by Jane Bryant Quinn (Delta/Doubleday, $9.95).

Everything you want to know about your husband's money ... and need to know before the divorce, by Shelley Aspaklaria and Gerson Geltner (Crowell/Fitzhenry, $14.25).

Everywomen's guide to financial independence, by Mavis A. Groza (Less Femmes Pub., $3.95).

The Financial Post's new money management book, by (The Financial Post/Macmillan, $7.95).

The family register of personal and financial papers, (U.S. News and World Report, $9.95).

For sale by owner, by Russell Oddy (International Self-Counsel Press, $3.50).

Funk & Wagnalls guide to personal money management, by C. Colburn Hardy (Funk & Wagnalls, $13.95).

Getting fit financially, by Sun Life (free).

Getting rich, a smart woman's guide to successful money management, by Diane L. Ackerman (A and W Publishers, $14.35).

Guides for family budgeting, by Henry Seywerd and others (Social Planning Council of Metropolitan Toronto, $7.00).

Help, the basics of borrowing money, by Robin Gross and Jean Cullen (Times/Fitzhenry and Whiteside, $12.95).

Her home: a woman's guide to buying real estate, by Ruth Rejnis (Anchor/Doubleday, $11.50).

Home budgeting, by Glen Hancock (Wiley, $6.95).

Homeowner's guide to buying, evaluating and maintaining your home, by Joseph McNeill (Van Nostrand Reinhold, $18.95).

House fever, by Michael Braunstein (Harcourt/Academic, $8.95).

How to be a financially secure woman, by Mary Elizabeth Schlayer and Marilyn Cooley (Ballantine Books, $2.95).

How to inspect a house, by George Hoffman (Delta/Doubleday, $5.95).

How to live rich when you're not: the smart woman's guide to getting more for your money, (Gand D, $2.95).

How to make your money work for you, by Jack Bass (Collier MacMillan, $7.95).

How to send your money out to work, by Jack Bass (Jack Bass and Assoc., 34 Carlton St. Winnipeg, R3C 1N9, $10.00).

It's your money, edited by J. Christopher Snyder and Brian E. Anderson (Methuen, $8.95). Mike Grenby calls it " still the best Canadian book I have seen to help the ordinary individual organize his or her personal finances."

Manage you money and stay out of debt, by John Russell (Coles, $3.98).

Managing your money: how to made the most of your income and have a financially secure future, by Anthony Broy (Watts, $8.95).

Managing your own money, by Gary Zimmerman (Wiley, $10.50).

Managing your own money, by Jerome Rosenberg (Newsweek/Prentice-Hall, $15.95).

Mike Grenby's guide to fighting inflation, by Mike Grenby (International Self-Counsel Press, $2.95).

Mike Grenby's money book, by Mike Grenby (International Self-Counsel Press, $4.50).

Money and Women, by Gustave Simons and Alice Simons (Popular Lib., $2.50).

Money: how to save it, spend it, and make it, by B.D. Coleman (Pergamon $14.50, $7.50 (paperback).

Money matters, by Robert E. Oliver and Michael J. Daypuk (McGraw, $3.18).

Money sense, (Toronto Dominion Bank; free).

Moneywise: the Prentice-Hall book of personal money management, by Richard J. Stillman (Prentice-Hall, $14.95).

New dollar sense for today's woman, by David L. Zwart (DaCa Pub., $3.95).

Personaffairs, (Personaffairs, 1827 Baile Street, Montreal, H3N 1P5, $39.95). Not a book, but a way of organizing everything related to your personal financial management; the cost is tax deductible to those with investment incomes; highly recommended.

RRSP maturity option guide, by Tom Delaney (T. Delaney Inc., 10 Adelaide St. East, Suite 36, Toronto, M5C 1J3, $2.00).

Rosefsky's guide to financial security for the mature family, by Robert Rosefsky (Follett, $7.95).

Senior side of living: a handbook for Canadians over fifty, by Irene Crawford (Perl/Wiley, $6.95).

Sylvia Porter's new money book for the '80's, by Sylvia Porter (Doubleday, $29.95).

Take Charge, by J. Kent McKelvey; see under Your personal money manager.

The two-paycheque marriage, by Caroline Bird (Pocket books/Paper Jacks, $2.95).

What every woman should know about finances, by Fred A. Lumb (Farnsworth, $8.95)

What's behind inflation, and how to beat it, by George Eder (Prentice-Hall, $11.95).

A woman's book of money: a guide to financial independence, by Sylvia Auerbach (Doubleday, $4.95).

Women and money, by Mary Rogersand Nancy Joyce (McGraw, $8.95).

The woman's money book: a simple, successful formula to help you profit from investments, increase your assets, bear inflation, avoid unnecessary taxes, by Gene Mackevich (Acropolis, $14.95, $7.95 (Paperback).

Working couples, by Lois Richardson (International Self-Counsel Press, $4.50).

You and your money, a financial handbook, Merrill Lynch, (free).

You can be financially free, by George Fooshee, Jr. (Revell, $5.95).

Your money and your life: how to plan your long-range financial security, by Colburn Hardy (Amacom/Prentice-Hall, $20.95).

Your personal money manager, by J. Kent McKelvey (Windcroft Publications Ltd., Box 1449, Port Perry, Ont., L0B 1N0; $27.95). Includes a 66-page guide called Take Charge! A bookkeeping and budgeting system to help both individuals and families manage money more efficiently.

Your Scotiabank budget book, (Bank of Nova Scotia, free).

3. Taxation and you

Official publications

Can you believe that the federal government wants to make it as easy as possible for you to learn how to save tax dollars?

To prove it, the government publishes an information circular called List of forms and publications available for use by the public. It and the publications and forms listed in it, are available free of charge from all district taxation offices.

Perhaps the following publications, all taken from the list, are the most useful to readers of this paper. District taxation offices in Alberta are:

220 - 4th Ave. S.E.
Calgary, Alberta
T2G 0L1

Telephone: 231-4101

Federal Public Building
9820 - 107th Street
Edmonton, Alberta
T5K 1E8

Telephone: 420-3510

Long distance telephone inquiries may be made free of charge by calling the long distance telephone operator and asking for Zenith 0-4000.

An introduction to Canadian income tax

Child care expenses

Income tax and the senior citizen

Income tax and the single parent

Income tax and the small business

Income tax and the student

Moving expenses

Registered Home Ownership Savings Plans

Registered Retirement Savings Plans

Thinking of retiring?

And the series You were asking...

... about Revenue Canada, Taxation

... about income-averaging annuity contracts

... about interest on Canada Savings Bonds

... about your tax return

... about where to find answers to your tax questions

... about tax rates in Canada

... about basic personal exemption and deductions

... about starting a business

... about the child tax credit

... about registered retirement income funds

The tax people also publish a series of interpretation bulletins on a wide range of topics. Here are a few:

"Alimony and Maintenance, " Interpretation Bulletin IT-118R.

"Property transfers after divorce and annulment," Interpretation Bulletin IT-325.

"Spouse's income in year of change of marital status," Interpretation Bulletin IT-429.

Remember, all these publications are available free of charge. Anyone seriously interested in keeping as much money out of the government's hands should read this material carefully.

Private Publications

The following works, all prepared by private publishers, take us out of the world of freebees. Even though they will cost you money, the following titles contain many pointers on taxation and how you can minimize its effect.

Are you paying too much tax?, by Wayne Beach and Lyle R. Hepburn (McGraw-Hill Ryerson, $9.95). One writer said it was "like having two $100-an-hour tax advisers in your living room."

Canadian income tax tips and traps, by R.D. Bell, B.A. Felesky, and R.J. Iverach (C.C.H. Canadian, $9.00).

The Delaney Report on RRSP, by Tom Delaney (McGraw-Hill Ryerson, $7.95).

Guide to income tax in Canada, by David Ingram (International Self-Counsel Press, $3.50).

How to be sure you have the right RRSP (or RHOSP or DPSP or IAA, by J. Christopher Snyder (Financial Post/Macmillian, available from the Financial Post).

Mike Grenby's tax tips, by Mike Grenby (International Self-Counsel Press).

The new Canadian tax investment guide for executive professionals and business, by Henry B. Zimmer (Hurtig, $14.95).

Pocketax (C.C.H. Canadian Ltd.; $1.00 (minimum purchase 5 copies). Concerning tax deductions available to the self-employed.

Preparing your income tax returns, by Arthur Anderson and Company, Chartered Accountants (C.C.H. Canadian Limited, $8.75). New editions appear regularly.

Records retention for tax and other purposes, by R.M. Anson-Cartwright and Robert Hollingshead (Richard De Boo Limited, $24.95).

Reduce your taxes, by Gordon Riehl (General Publishing, $4.95). Updated in frequent new editions.

Save tax in Canada and retire at 45, by Albert Volker (Paper Jacks, $1.95).

Taxfacts and figures (Coopers & Lybrand; free; annual).

Tax facts: the Canadian consumer tax index and you, by Sally Pipes and Michael Walker (Vancouver: Fraser Institute, $3.95). First published as How much tax do you really pay?

Tax features of automobile expenses in Canada, (C.C.H. Canadian Limited, $3.00).

Tax planning checklist, (Coopers & Lybrand; free; annual).

Tax planning for professionals, by Arthur Drache and Sidney Goldstein (Richard De Boo Limited, $24.95).

Tax savings plans in Canada: how to get the most for your money, by William E. McLeod (International Self-Counsel Press, $3.95).

Tax saving strategies for the Canadian investor, by David Louis (Financial Education Services, 716 Gordon Baker Road, Willowdale, Ont., M2H 3M8, $35.00).

Tax shelters in Canada, by William E. McLeod (International Self-Counsel Press, $4.50).

Tax tactics: tips from a professional tax planner, by Arthur Drache (Financial Post/Macmillan; $6.95).

4. Want to Become Rich?

Just to build up your interest in learning how to invest your money (see the next section), here are inspiring accounts of how others became rich.

Another way, by Andy Turnbull (Deneau G. Greenberg, $9.95). About going into business for yourself.

Elephants in your mailbox, by Roger Horchow (Times/Fitzhenry, $16.25). A mail-order entrepreneur discusses the business and how you might get into it.

The entrepreneurs, by Robert Shook (Harper/Fitzhenry, $12.95). Twelve success stories.

Getting rich your own way, by Srully Blotnick (Doubleday, $13.50).

How self-made-millionaires build their fortunes, by Scott Witt (Parker/Prentice-Hall, $13.95).

How to make up to $100 an hour for every hour you work, by John Stockwell (Parker/Prentice-Hall, $13.95).

How to start a business guide, by Peter Cook (Exec-Support, 195 St. Clair Ave. West, Toronto, M4V 1P7; $9.95). Advice for the entrepreneur.

How two can make at least $1 million (but probably much more) in the mail order business, by Gerardo Joffe (International Self-Counsel Press, $7.95).

Jobs for weekends, by Roberta Roesch (Berkeley/Academic, $5.50).

Moonlighter's guide to a spare-time fortune, by Richard Michaels (Parker/Prentice-Hall, $13.95).

101 successful ways to turn weekends into wealth, by Dan Ramsay (Parker/Prentice-Hall, $13.95).

Profit from your money-making ideas, by Herman Holtz (Amacom/Prentice-Hall, $18.95).

Time is money, by Richard Creedy (Dutton/Clarke Irwin, $15.95).

5. Investing Your Money

Now for the heart of our booklist: a wide-ranging list of titles that explain how to move beyond the basics of managing the money you earn, to having your money earn money for you.

Automatic wealth-building formulas, by Scott Witt (Parker/Prentice-Hall, $13.95).

The battle for financial security, by Rodger Bridwell (Times/Fitzhenry and Whiteside, $16.95).

Businesses you can run for less than $1,500, by Scott Witt (Parker/Prentice-Hall, $13.95).

Buying and selling currency for a profit, by Robert Wolenik (Contemporary/Fitzhenry and Whiteside, $12.95).

Canadian real estate guide, how to make it pay, by Richard Steacy (Musson, $14.95).

Coin collector's handbook, by Fred Reinfield (Doubleday, $9.95).

Crisis investing, by Douglas Casey (Stratford/Fitzhenry, $16.25).

Double your dollars in 600 days, by Ira Cobliegh (Harmony/General, $12.95). Investing in metals.

The hard money book, by Steven Beckner (Hawthorn/Clarke Irwin, $9.95).

The how to beat inflation book, by the Contributing editors of The Money Letter (Financial Education Services/McGraw-Hill, $14.95).

How to beat the financial squeeze, by William Flanagan (Doubleday, $13.50).

How to buy and sell gems, by Benjamin Zucker (Times/Fitzhenry, $16.95).

How to invest in gold, by Peter Cavelti (Maximus/McClelland and Stewart, $8.95).

How to invest your money & profit from inflation, by Morton Shulman (Penguin, $2.95).

How to made your money work for you, by Jack A. Bass, (Collier Macmillan Canada, $7.95).

How to wake up the financial genius inside you, by Mark Haroldsen (Bantam, $1.99) Investing in real estate.

How you can profit from today's gold rush, by Jeffrey Feinman (Dolphin/Doubleday, $4.95).

Investing for survival in the 80's, by Richard Starks (Financial Education Services).

Investing in Canadian films, by Peter McQuillan (C.C.H. Canadian Limited, $6.00).

Jewelry, by Edythe Cudlipp (Delton/Clarke Irwin, $9.95).

Make your money grow, by Richard Worze (Financial Post/Macmillan, $7.95). Highly recommended by a major reviewer.

The money masters, by John Tram (Harper/Fitzhenry, $15.75).

Moneypower: how to make inflation make you rich, by Ben Stein (Harper/Fitzhenry, $11.75).

A practical Canadian mortgage guide, by Richard Steacy (General Publishing, $5.95) A logical comparison to the author's Canadian Real Estate Guide (listed above).

Runaway inflation, by Jerome Smith (International Self-Counsel Press, $2.95).

Street games, by Alan Lechner (Harper/Fitzhenry, $11.75). About Wall Street.

$10 can make you rich, by Duane Newcomb (Parker/Prentice-Hall, $13.95).

Tyler Hick's encyclopedia of wealth building secrets, Parker/Prentice-Hall, $10.95.).

The UNR investor's dictionary, by David Brownstone and Irene Franck (Van Nostrand Reinhold, $22.95).

Wealth addiction, by Philip Slater (Dutton/Clarke Irwin, $12.95). Keeping money from controlling you.

Wealth: how to achieve it!, by Thomas Porter and Durwood Alkire (Reward/Prentice-Hall, $11.95).

You can still become a millionaire by 1984!: investment perspectives through the mid-1980's and applicable investment strategy, by Andrew Willman (Consolidated Amethyst, $5.95).